

Message Text

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PAGE 01 TEL AV 03072 210823Z

47

ACTION NEA-10

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 L-02 H-02 PA-01 PRS-01 SAM-01 /085 W

----- 120183

R 210750Z MAY 75

FM AMEMBASSY TEL AVIV

TO SECSTATE WASHDC 6743

LIMITED OFFICIAL USE TEL AVIV 3072

E.O.11652: N/A

TAGS: EFIN, IS

SUBJECT: ISRAEL'S FOREIGN EXCHANGE RESERVES

REFS: A. TEL AVIV A-156(6/26/75)

B. TEL AVIV 2174 C. TEL AVIV 2617

1. ISRAEL'S OFFICIAL FOREIGN EXCHANGE RESERVES AMOUNTED TO \$1,475 BILLION ON APRIL 30, 1975 (IN ACCORDANCE WITH IMF DEFINITION PER REF A; ISRAEL STATED RESERVES AT \$1,345 BILLION). APRIL BALANCE SHOW SLIGHT DECLINE (\$16 MILLION) FROM MARCH; THIS WAS FIRST DECREASE IN MONTHLY FOREIGN EXCHANGE RESERVE BALANCES SINCE ISRAELI POUND WAS DEVALUED BY 43 PERCENT LAST NOVEMBER. NEVERTHELESS, RESERVES NOW STAND ALMOST \$500 MILLION ABOVE PREDEVALUATION FIGURE.

2. AT END OF 1974, RESERVES TOTALLED \$1.2 BILLION (PER IMF DEFINITION; \$1.070 ACCORDING TO GOI) AND NATIONAL BUDGET FORECASTS \$25 MILLION INCREASE DURING 1975. RECENT INCREASES IN RESERVES HAVE BEEN EXPLAINED BY SENIOR GOVERNMENT OFFICIALS AS RESULT OF BORROWING ABROAD AND INFLOW OF HARD CURRENCY WHICH HAD BEEN AWAITING DEVALUATION. GOI IS DETERMINED NOT TO LET RESERVES FALL BELOW \$1 BILLION AND PRIOR TO DEVALUATION

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PAGE 02 TEL AV 03072 210823Z

BORROWED HARD CURRENCY TO SHORE UP

RESERVES. SIMILAR POLICY CAN BE ANTICIPATED SHOULD RESERVES
FALL BELOW \$1 BILLION LEVEL IN COURSE OF YEAR.

3. COMMENT: DESPITE APPARENT RECOVERY FOREIGN EXCHANGE
POSITION, THERE ARE CONTINUING RUMORS THAT GOI WILL ALTER
VALUE OF ISRAELI POUND(REF C). BLACK MARKET RATE HAS
REACHED IL 7.08 PER DOLLAR, 18 PERCENT ABOVE OFFICIAL RATE,
AND NATAD QUOTED AT IL 6.29 SUCH SPECULATION COULD HAVE
DELETERIOUS EFFECT ON RESERVES IN NEAR FUTURE.
VELIOTES

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: FOREIGN EXCHANGE HOLDINGS
Control Number: n/a
Copy: SINGLE
Draft Date: 21 MAY 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: ElyME
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975TELAV03072
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750180-0828
From: TEL AVIV
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750529/aaaabakp.tel
Line Count: 71
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION NEA
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 TEL AVIV A-156(6/26/7
Review Action: RELEASED, APPROVED
Review Authority: ElyME
Review Comment: n/a
Review Content Flags:
Review Date: 08 AUG 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <08 AUG 2003 by izenbei0>; APPROVED <28 NOV 2003 by ElyME>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: ISRAEL'S FOREIGN EXCHANGE RESERVES
TAGS: EFIN, IS
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006